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UPSC IES-ISS

**Previous Year Paper
(General Economics-II)
2021**



GENERAL ECONOMICS

Paper – II

Time Allowed : **Three Hours**

Maximum Marks : **200**

Question Paper Specific Instructions

Please read each of the following instructions carefully before attempting questions :

*There are **SIXTEEN** questions divided under **THREE** sections.*

*The **ONLY** question in Section A is **compulsory**.*

*In Section B, **SIX** out of **NINE** questions are to be attempted.*

*In Section C, **FOUR** out of **SIX** questions are to be attempted.*

Candidates should attempt questions / parts as per the instructions given in the sections.

The number of marks carried by a question / part is indicated against it.

Candidates are required to write clear, legible and concise answers and to adhere to word limits, wherever indicated. Failure to adhere to word limits may be penalized.

Attempts of questions shall be counted in sequential order. Unless struck off, attempt of a question shall be counted even if attempted partly.

Any page or portion of the page left blank in the Question-cum-Answer Booklet must be clearly struck off.

*Answers must be written in **ENGLISH** only.*

SECTION A

The ONLY question in this section is compulsory.

Q1. Answer the following questions in about 100 words each : 5×6=30

- (a) Differentiate between Adam Smith's concept of subsistence wage and Ricardo's concept of natural wage. 5
- (b) Is the underground economy beneficial or subversive ? 5
- (c) Why is saving in Keynesian system a function of disposable income but in classical system a function of rate of interest ? 5
- (d) Distinguish between (i) bonds and debentures, (ii) bonds and non-convertible debentures. 5
- (e) How can you justify the absence of saving ratio in the quantitative speed of convergence towards steady state equilibrium in the neo-classical growth model ? 5
- (f) How far is the 'Forex Index' an index of economic strength ? 5

SECTION B

Answer any six out of the following nine questions in about 200 words each :

15×6=90

- Q2.** Assess and justify the analytical merits and historical relevance of mercantilist views on foreign trade. 15
- Q3.** What are the approaches to compute 'Green' GDP ? How would you make GDP more inclusive in the light of Index of Sustainable Economic Welfare (ISEW) ? 15
- Q4.** (a) Show that MPC is less than APC in the Keynesian analysis.
(b) Why is consumption function considered to be an epoch-making contribution in the Keynesian theory ? 5+10
- Q5.** State the basic differences between Futures and Options. Explain in detail the working of the futures and options derivatives. 15
- Q6.** Both Marx and Schumpeter believe in the downfall of capitalism but for very different reasons. Elucidate. 15
- Q7.** "Mundell-Fleming model brings about internal and external balance through the equality between IS-LM-BP schedules." Explain. 15
- Q8.** How is the Human Development Index (HDI) computed ? Why is HDI required to be adjusted for inequality ? 15
- Q9.** Highlight the dimensions and implications of Eurozone crisis. 15
- Q10.** Assess the performance of WTO in achieving its mission of ending extreme poverty and promoting shared prosperity. 15

SECTION C

Answer any *four* out of the following six questions in about 300 words each :

20×4=80

- Q11.** State the policy implications of Phillips curve and explain the dilemma faced by the policy-makers. Discuss how the government can contribute to economic stability. 20
- Q12.** Discuss the 'development of underdevelopment' thesis by Frank and Amin. Is the thesis seeded in the Marxian framework of capitalism? Substantiate. 20
- Q13.** (a) What was the rationale behind the development of endogenous growth models? 6+14
(b) Use a basic model of endogenous growth to exhibit its superiority over the exogenous growth model.
- Q14.** Examine the importance of the latest issues addressed by G-20. What role and responsibilities does G-20 have in today's world? 20
- Q15.** State and explain the H-O theorem and factor-price equalisation theorem. Explain how the prevalence of Factor Intensity Reversal would result in the rejection of both theorems. 20
- Q16.** (a) Following Baumol-Tobin approach, find out the transaction demand for money and examine its interest rate sensitivity. 15+5
(b) Show and interpret that such a transaction demand for money is homogeneous of degree zero in real income and rate of interest.